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ABSTRACT

As the state of Illinois moves toward an integrated system of universally accessible early care and education, policymakers grapple with issues regarding who, where, how, and at what cost quality services should be provided. In order to inform this policy debate, this report describes the for-profit sector of Illinois' formal early care and education service delivery system. The report examines commonly-held perceptions about for-profit child care, concerns of for-profit owners, and whether policies give some providers competitive advantage. Organized in six sections, the report begins with an examination of the unique economics of the early care and education market. Section 2 reports on increasing competition between sectors, noting that the several forces have resulted in great volatility, low profit margins in the for-profit sector, and continual threats to the competitive edge any individual provider might temporarily enjoy. Section 3 describes the variety of nonprofit and for-profit care and education choices in Illinois. Section 4 compares the assets and challenges facing for-profit and nonprofit centers, focusing on access to capital for expansion or facility improvements, access to operating revenue, blended funding streams, revenues and spending, management issues, resources to enhance program quality, and program appeal to parents. Section 5 discusses the implications of characteristics of quality programs for nonprofit and for-profit centers. Section 6 summarizes findings, makes recommendations, and outlines action steps. The report's two appendices summarize key characteristics and differences between legal entities providing early care and education services, and profile salaries and staff of selected child care centers in Illinois. (Contains 33 references.) (KB)

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The Business of Early Care and Education in Illinois:

The Role of For-Profit Providers

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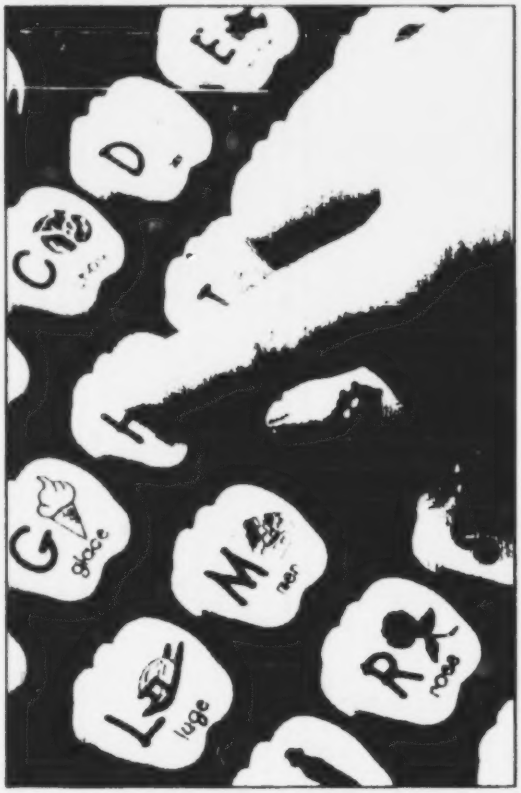
Introduction

We must improve the overall quality of existing programs and expand them in order to reach all children whose families want access to high-quality care and education services.



The artificial distinction between a full-day child care program as a work support for employed parents and a part-day preschool program offering social and educational experiences has persisted for many years. Separate funding streams, administrative and regulatory structures, service delivery systems, and at times the legal status of providers have exacerbated this divide.

A variety of recent factors are changing this landscape. These include compelling research demonstrating that children in high-quality early learning programs are academically and socially more successful in school and more productive in later life; political leadership fueled by significant media attention and strong public support; and the federal No Child Left Behind Act, which requires all students to meet state learning standards and be taught by highly qualified teachers. Access to high-quality early care and education services for all young children has emerged as a critical education issue affecting students' future success in school.

The majority of Illinois' preschool aged children are engaged in some type of early care and education program, with families choosing from a wide range of service providers that vary by tax and regulatory status. Illinois is a leader in working to create a more integrated, coordinated system of early care and education services to provide families with easier access to high-quality services and to help providers maintain stable, effective programs that successfully prepare young children for school and later life. However, as we build this system two things are clear. We must improve the overall quality of existing programs and expand them in order to reach all children whose families want access to high-quality care and education services. This requires that all providers have access to the tools and resources necessary to integrate child care and early education services and to meet standards of higher quality that are associated with school readiness outcomes.

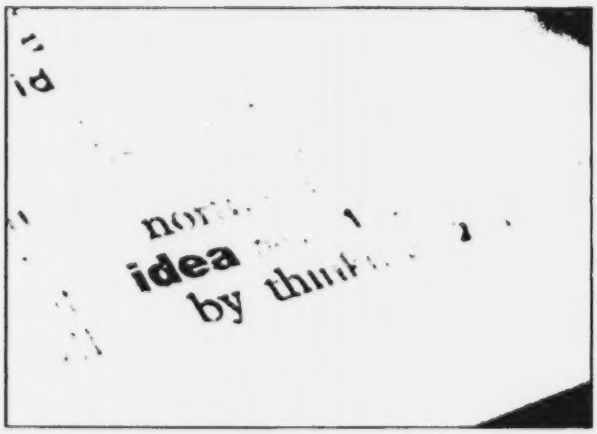
As Illinois moves towards an integrated system of universally accessible early care and education, policymakers continue to grapple with issues regarding who, where, how, and at what cost quality services should be supported. To inform this policy debate, it is increasingly important to examine the characteristics, similarities, and differences across early care and education providers, as well as to consider whether

This report focuses in particular on describing the for-profit sector, an integral part of Illinois' formal early care and education service delivery system.

different approaches may be needed to enhance service quality in the for-profit sector, the nonprofit sector, and/or between the various types of providers within these sectors.

This report focuses in particular on describing the for-profit sector, an integral part of Illinois' formal early care and education service delivery system. Although early childhood studies are plentiful, we found no report that describes Illinois' for-profit provider sector, and on a national level, we found relatively few recent studies on for-profit providers. We examine some of the commonly held perceptions about for-profit child care, the concerns of for-profit owners, and whether tax, licensing, and government policies give certain providers competitive advantage in the marketplace. For example, at the federal level, for-profit providers were excluded from Head Start program participation until 1998, and they continue to be held to more stringent requirements under the Child and Adult Care Food Program and the No Child Left Behind Act than school or nonprofit providers. At the state level, Illinois for-profit providers are eligible to participate in state-funded early care and education programs, but often state statutes do not explicitly include them in their lists of eligible providers.

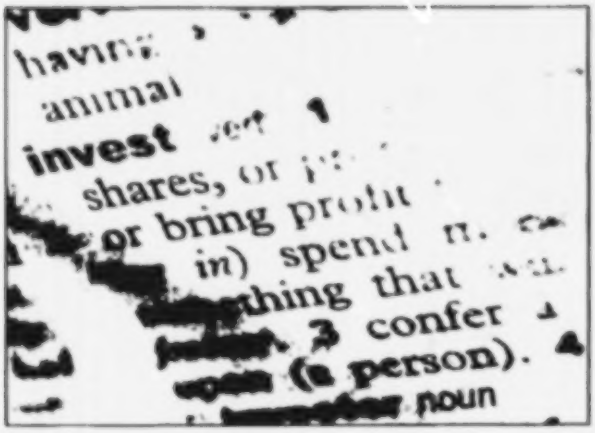
We begin by examining the unique economics of the early care and education market and illuminating the financial forces affecting all providers, including the relationship between quality and cost. Much of the debate about for-profits providers comes down to questions of how available revenue is spent, and whether spending priorities support quality services. An examination of revenue issues is only complete in the context of the increasing competition between for-profits, nonprofits and public and private schools over the last thirty years.



Due to gaps in the way statewide information is gathered, the picture of for-profit centers is incomplete, but it is not inconclusive. We cannot definitively report on how many low-income children receiving child care subsidies are served in for-profit centers, nor the rates at which for-profits use current resources designed to enhance service quality. We do have evidence that thousands of families in Illinois choose for-profit centers to nurture and educate their children and that many of those children are from low-income families.

We must enhance quality in all programs, regardless of legal status, by building on the strengths of our current mixed sector early care and education market.

This report attempts to shed new light on the roles and realities of for-profit centers in Illinois in order to design an early care and education system in which scarce government funds must be most effectively allocated. The conclusion is that, like their counterparts in other sectors, the vast majority of for-profit centers struggle to make ends meet while seeking ways to increase their service quality. To reach our long-term goal of helping all children enter school ready to succeed, we must enhance quality in all programs regardless of legal status by building on the strengths of our current mixed sector early care and education market.



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The tipping point is that magic moment when an idea, trend, or social behavior crosses a threshold, tips, and spreads like wildfire.

(Malcolm Gladwell, The Tipping Point)

In Illinois, the tipping point for high-quality child care and early education for all young children came in the Fall of 2000 with the elevation of universal access to high-quality preschool education as the number one priority publicly identified by key stakeholders, and subsequently adopted by Governor George H. Ryan. Soon thereafter, in January of 2002, the U.S. Congress enacted the No Child Left Behind Act, requiring that states make demonstrable progress from year to year in raising the percentage of students proficient in reading and math, and in narrowing the test-score gap between advantaged and disadvantaged students. With over 30 years of research conclusively correlating high-quality early education with better language, math, and social skills, access to such programs during a child's early years has become even more imperative.

We are well beyond the tipping point in our recognition that early education is delivered through a diverse mix of programs offered in a variety of settings, operated by providers of differing structures and legal status, and generally funded by multiple funding streams. The universe of formal early care and education programs includes nonprofit and for-profit child care centers, public and private schools, Head Start centers, and family child care homes. If our goal is access to high-quality care and education that results in later success in reading, math, and social development, we must build on the strengths of, and bring additional resources to, all existing early childhood programs to ensure their services meet high standards of quality.

In analyzing guidelines in other states, we have learned that universal pre-kindergarten programs in Georgia, New York, and New Jersey define both for-profits and nonprofits as eligible providers as long as the programs meet state educational standards. Ohio has been using for-profit providers for state-funded Head Start for many years. In 1998, Congress recognized the role of for-profit entities in providing quality services, declaring that there was no justification for limiting provider participation in federal early childhood programs based simply on an organization's tax status. In an open, competitive environment, all providers must comply with standards of quality stipulated in each program's statutory requirements.

Today, even in times of great fiscal constraint, Illinois policymakers are increasing investments necessary to reach the goal of helping children most at risk of poor outcomes to succeed in school. In the face of a multi-billion budget deficit, newly-elected Governor Rod Blagojevich and the Illinois General Assembly appropriated $29.9 million in Fiscal Year 2004 to begin phasing in access to the Illinois State Board of Education's (ISBE) high-quality pre-kindergarten program to every at-risk child in Illinois. In addition, the Illinois Department of Human Services (IDHS) is moving forward to plan a tiered reimbursement system that will award child care centers and homes serving low-income children star ratings and higher reimbursement rates for meeting quality indicators. These strategies promise system-wide improvements for all sectors of the early care and education market rather than more incremental changes that have not proved comprehensive enough to produce real results in raising the bar on quality.

Illinois' Early Care and Education Market: Comparing the Different Sectors

About 60% or 660,000 of the 1.1 million Illinois children under age five are in some type of non-parental care while their parents work (Krajec et.al. 2001). This number climbs to over 70% for 3- and 4-year-olds. Formal care and education in group settings is offered in nonprofit and for-profit child care centers, public and private schools, Head Start centers, and family child care homes. The diversity among providers is vast, with differences in legal tax status just one of the many characteristics that can differ across settings (See Appendix I).

To inform our planning and implementation of systems-wide quality enhancement strategies like universal preschool and tiered reimbursement, this report examines the similarities and differences between and among for-profit and nonprofit child care centers, and the particular challenges each sector may confront in meeting higher standards of quality. Analysis of the forces affecting service quality provided by for-profit and nonprofit centers will allow us to better design and target creative strategies, and to propose changes in policy in order to direct our resources more efficiently to produce positive outcomes for young children.

About 60% or 660,000 of the 1.1 million Illinois children under age five are in some type of non-parental care while their parents work

Section 1: The Economics of Early Care and Education

Much of the debate about for-profits in the early care and education arena comes down to questions of how available revenues are spent and whether spending priorities support the provision of quality services. The economics of the overall early care and education market are unique and include a complex relationship between quality and cost, regardless of sector.

Perhaps the greatest frustration of owners and directors of child care centers is knowing what constitutes high-quality service but not having enough resources to deliver it. Much of the gap between what we know and what we do can be attributed to money. While K-12 education is widely accepted as a public responsibility, early education is not. Parents must foot most of the bill, but high-quality care costs too much for most parents regardless of income.

The amount that families can pay for services affects how much any provider can charge, making high-quality care unavailable at prices most parents can afford. Thus, many child care centers and homes find themselves in a Catch-22 situation. To operate within their means they often cannot afford components that contribute to high quality. Since labor costs represent the largest percentage of total costs, providers are often forced to keep wages low, which leads to high staff turnover. If the revenues aren't there, they cannot support staff-child ratios beyond those required by licensing. With the cost of full-time high-quality care for one child averaging close to 20% of a family's take home pay, many families have little choice but to settle for lower cost and often lower quality care for their children, even if they are aware of differences in quality (Brandon et. al. 2000). Given these trade-offs, it is no surprise that high-quality early childhood programs – in Illinois and nationwide – are the exception rather than the rule.

The economics of the overall early care and education market are unique and include a complex relationship between quality and cost, regardless of sector.

Subsidies of all types – from grants, government vouchers, tax credits for child care expenses, scholarships for abnormally low staff wages, occupancy cost reductions, in-kind services, charitable donations, and tax credits to employers to establish child care services - are designed to make early care and education more affordable to families. These subsidies, however, still do not cover the true cost of quality care and education. For example, IDHS' current reimbursement rate for full-time care for preschoolers is currently able to purchase only 30% of the child care center spaces in the Chicago metropolitan child care market for the 3-5 age group (i.e., 70% of available spaces cost more than the subsidy pays). Additionally, although Illinois spends considerably more on "quality enhancement" initiatives and pilot projects than the 4% required under the federal Child Care

Development Fund, these efforts do not systematically address the underlying causes of poor service quality, most importantly inadequate staff salaries and benefits.

In short, each element of program quality strongly associated with positive results for children – the number, qualifications, ability, dispositions, and stability of staff; opportunities for family involvement; and environmental characteristics like well-equipped classrooms – is associated with higher costs. Regardless of a provider's legal auspice, new investments must be targeted to produce enough high-quality services that yield the short-term school readiness and longer-term productivity results that research promises.

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Section 2: Increasing Competition Between Sectors

Although families have always faced trade-offs between quality and affordability of early care and education, competition between sectors was not as heated before the 1990s. The child care market of the 1960s was dominated by nonprofit social service agencies and for-profit sole proprietors who had little interest, business training, or experience raising capital to expand their facilities. The Head Start program began to grow to meet the child development needs of children living in families at or below the federal poverty level. Tuition-based morning nursery school classes offered child development classes to upper income families.

During the 1970s and 1980s, demand for services grew exponentially. The nation's labor force participation rate for married women with children under six increased from 30% in 1970 to 57% in 1988 (Culkin et.al. 1990). The supply of services was insufficient to meet the huge, rapid increase in demand for child care services by more middle class families as women went to work.

The 1980's also gave rise to parental choice. For the first time, low-income families received government vouchers that they could use to subsidize the cost of care from the child care provider of their choice. For-profits centers opened in middle- and upper-income communities, with Head Start and nonprofits growing steadily to meet the needs of lower-income families. State assistance was delivered through contracts with nonprofit child care providers to serve low-income families, which tended to segregate poor children into a few larger programs.

Larger for-profit corporate chains, such as KinderCare and LaPetite Academy, appeared on the child care landscape during the early 1970s. Those chains, and other new child care entrepreneurs, forecast the increased demand by working parents for child care services in response to changing demographic trends and economic opportunities. These large for-profit child care companies moved rapidly to purchase land to construct new buildings or buy buildings for renovation in order to establish market dominance and raise capital for additional financing. Real estate tax incentives also made this strategy very profitable. Although initially these companies did not concentrate on hiring and training well-qualified teachers, using effective curricula to promote school readiness skills, or setting up well-equipped classrooms, current leadership has concentrated on efforts to improve service quality (Benson 1996).

In 1985, the Illinois Pre-Kindergarten program was established by statute. The program began with a $12.1 million appropriation to ISBE. The program's mission was to provide educational

services administered by school districts for children ages 3 to 5 identified as at-risk of school failure, and to involve parents in their children's preschool experiences. In FY86, over 24,000 children were screened as eligible for Pre-K, although many less were able to be served. Funding for this free half-day program taught by certified teachers in school classrooms grew by 250% between 1990 and 2003, making schools increasingly important players in the early education market.

Competition among sectors heated up during the 1990s, although this varied greatly by community. The demand for child care services continued to grow, albeit at a more modest pace. Land prices and real estate development costs increased. The larger for-profit child care companies grew, not so much by building new sites, but through consolidation and purchasing existing centers.

With welfare reform in 1996, the number of children receiving child care subsidies increased enormously. Illinois doubled its spending on child care in the past five years. Since FY97, federal spending on child care in Illinois has grown by $216 million, a nearly 240% increase. State spending has increased by $184 million, more than 270%. As funding increased and vouchers allowed parents to choose any child care setting willing to accept state certificates, for-profit centers began adding more lower-income children to their mix. Depending on the provider, some parents pay the difference between the subsidy rate and actual tuition paid by non-subsidized families. In addition, the Pre-K program in public schools grew significantly, serving 56,000 children residing in 623 participating school districts at a cost of approximately $164 million (89% of the Early Childhood Education Block Grant) during the 2001-02 school year. Total Head Start funding more than doubled to serve 60% more children between 1990 and 2000.

To promote service continuity and stability, Head Start and Pre-K providers are collaborating with for-profit and nonprofit child care centers to offer full work-day, year-round services to families who work full-time.

For profit and nonprofit centers also currently compete for full tuition-paying families, particularly since public subsidies rarely cover the full cost of quality care and education. Intense market competition is also exacerbated by the fact that all families receiving child care assistance are required to pay provider co-payments or fees, while those qualifying for Pre-K or Head Start receive free services. This creates an incentive for many working families who need full work-day, year-round services to choose free half-day services and then shuttle children between multiple other caregivers to cover the remainder of the work day. To promote service continuity and stability, Head Start and Pre-K providers are collaborating with for-profit and nonprofit child care centers to offer full work-day, year-round services to families who work full-time. In addition, over 100,000 children

from low-income families – over half of the children who receive child care subsidies – are being cared for by relatives, friends, neighbors, and others who are exempt from licensing requirements. Although we are unsure why the use of license-exempt care has expanded so dramatically, we do know some of the reasons why low-income parents make this choice. Those reasons include: trust in a known caregiver, shared values and culture, flexibility for parents working non-traditional hours, desire to employ family members or friends, and willingness of providers to waive co-payments (Lesser et.al. 2002).

These combined forces make for great volatility, low profit margins in the for-profit sector, and continual threats to the competitive edge that any individual provider might temporarily enjoy (Culkin et.al. 1990).

Section 3: The Early Care and Education Landscape in Illinois

Families in Illinois can choose from a wide range of child care and early education service providers, which vary by legal and regulatory status. Although not all providers are listed, of Illinois' 4,861 early care and education (ECE) centers in the Illinois Network of Child Care Resource and Referral Agencies' (INCCRRA) statewide database, 25% operate as for-profits and 75% as nonprofits. For-profit centers represent 60% of the infant and toddler market compared to 40% served by nonprofits. About equal numbers of 3- and 4-year-olds participate in programs operated by for-profits and nonprofits, 22,100 and 23,000 respectively. This holds true for early care and education services to 5-year-olds, with 15,900 in for-profit centers and 16,100 in nonprofits.

Although only 25% of centers operate as for-profit, these programs are chosen by thousands of working families. Of the 1,809 licensed centers offering full-workday, year round early care and education services, more than half are for-profit, with the capacity to serve 77,000 children, 85% of whom are under the age of six.

All licensed programs must adhere to minimum staff qualifications, health, safety, and program requirements and are subject to monitoring visits. License-exempt centers must only self-certify that they meet state and local fire and health codes and are not subject to monitoring visits. Most public schools are exempt from child care licensing because they are presumed to meet school health and safety codes. License-exempt centers do not have to expend resources to meet basic licensing

National accreditation of child care centers and family child care homes is an important strategy that has gained momentum nationally and in Illinois as a means to develop and identify high quality early care and education programs.

requirements, for example the occupancy costs associated with minimum square footage requirements for each child. To many, this creates an "uneven playing field." Of the for-profits, 90% are licensed and 10% are license-exempt while only 49% of the nonprofits are licensed. Public school programs represent 57% of license-exempt programs and church-affiliated programs 11%. The remainder of license-exempt providers includes programs such as those operated by Montessori schools, parks, libraries and similar entities.

Through voluntary accreditation, child care centers and homes are evaluated in relation to professional standards and parents' expectations. Accreditation also provides parents with an independent measurement of the quality of programs they are considering for their children. According to a study of 92 child care centers conducted by the National Center for Child Care Workforce, accredited centers were six times more likely than non-accredited centers (61% vs.10%) to provide good to excellent quality care. National accreditation of child care centers and family child care homes is an important strategy as a means to develop and identify high quality early care and education programs.

Illinois has experienced a large increase in accredited early care and education programs in recent years. This increase can be attributed to accreditation technical assistance and consultation programs that are funded by the McCormick Tribune Foundation, the City of Chicago and the Illinois Department of Human Services. As of March 2003, Illinois had a total of 645 nationally accredited early care and education programs: 461 accredited by the National Association for the Education of Young Children (NAEYC), 115 through the Council on Accreditation, 11 through the National Early Childhood Program Accreditation, 51 child care homes accredited by the National Association for Family Child Care, 5 programs with National School Aged Care Alliance accreditation, and 2 with accreditation from the National Association of Child Care Professionals.

NAEYC-Accredited Centers (Number by type)

Type of Center	Number	% of Total
For-Profit	80	17
Corporate Chain	97	21
Corporate Sponsored	35	8
Nonprofit	182	39
Unknown	67	15
TOTAL	461	100

The breakdown by center type and percentage of total NAEYC-accredited centers is listed in the chart to the left. At the time of this report, this information was not available for the other accreditations listed above. For-profit centers, corporate chains, and corporate-sponsored centers make up 46% of total NAEYC-accredited centers (Chicago Accreditation Partnership 2003).

Over the last few years, the overall number of families seeking child care through Child Care Resource and Referral agencies (CCR&Rs) seems to be declining. According to statewide child care resource and referral data, the total number of families

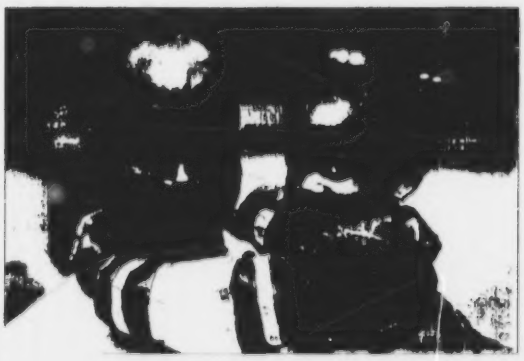
As the number of children in a family increases, parents report a preference for in-home or relative care. Depending on parents' work schedules, many also report a preference for in-home and relative care for evening, overnight, and rotating shift schedules.

seeking child care statewide decreased almost 18% between fiscal years 2000 and 2002 (Ramsburg 2003). There have been increases, however, in demand for certain kinds of care. For example, requests have increased for infant and toddler care, full-time care, evening care, and care to accommodate rotating shift and weekend work schedules.

On the supply side, the statewide number of child care center and home-based programs has increased by 9% and the number of spaces increased by close to 7% between FY00 and FY02. The largest growth occurred in licensed family child care homes. The total number of licensed centers has declined by 8% and the number of spaces in centers by 1%. Fluctuations in the numbers of programs and spaces vary regionally as well as by age of children served. For example, the most southern counties of Illinois experienced a large decrease in the number of infant-toddler spaces, but over the last three years the Waukegan area had a 14% increase in infant-toddler spaces, the most expensive care to provide.

There are also differences in the child care settings used by low-income families receiving IDHS child care subsidies and parents who requested assistance from CCR&Rs in finding child care and were then contacted for follow-up. Parents contacted for follow-up in FY02 reported that about 19% of their children were in center care, 30% were in family child care homes, 12% were in relative care, and less than 10% were in in-home care. Of the children in IDHS certificate and contracted-site programs, about 40% were in relative care, 30% in center care, 23% in in-home care, and 20% in family child care.

Parent's preferences vary by the age of children. Although many parents of babies and toddlers prefer home-based care by someone they know, parents of preschoolers often report that they prefer classroom-based educational experiences offered in child care centers or schools. As the number of children in a family increases, parents report a preference for in-home or relative care. Depending on parents' work schedules, many also report a preference for in-home and relative care for evening, overnight, and rotating shift schedules.



Of the 200 licensed full-time centers that offer some form of financial assistance to children of employees of designated employers, 72% are for-profit and 28% nonprofit. Compared to 185 nonprofit centers, only eight licensed full-time for-profit centers offer Head Start, a federally-administered, primarily center-based program of education, family support, and comprehensive services (health, dental care, and social services) for children with family incomes at or below the poverty line.

In Illinois, for-profit programs comprise 25% of center-based care and education programs, 90% of which are licensed.

Chicago Metropolis 2020/PSO Illinois Child Care Association Survey Results

Age of Children	Number of children currently enrolled	Of current enrollment, number of children subsidized by	% of children subsidized by IDHS
Infants (6 wks-14 mos.)	445	186	42%
Toddlers (15-23 mos.)	559	199	36%
2's (24-36 mos.)	1,094	416	38%
3's	1,557	537	34%
4's	1,665	552	33%
5's	1,121	439	39%
School Age (6 yrs. and up)	1,349	541	40%
TOTAL	7,790	2,870	37%

This may be because for-profits were not eligible to become Head Start providers until 1998, and Illinois has not re-bid any of its Head Start grantee contracts in years.

Illinois is unable to determine how many children whose care is subsidized by IDHS are served in for-profit compared to nonprofit centers. The IDHS Child Care Tracking system, which collects data on low-income children receiving child care subsidies, does not indicate the legal status of centers. The CCR&R tracking system does ask licensed full-time centers whether they are willing to accept IDHS subsidies from low-income families. Based on that data, which is reported voluntarily, 55% of for-profit centers are willing to accept subsidized children compared to 45% of nonprofit centers. We recommend that IDHS change its Child Care Tracking System to allow collection of a center's legal status.

Metropolis 2020, in collaboration with PSO/Illinois Child Care Association, sent a survey to 200 for-profit centers in Illinois. Each of these centers is licensed and a member of the PSO/ Illinois Child Care Association. We received 90 complete surveys. The survey requested the total enrollment as of May 2003 and the number of those enrolled children that are subsidized by IDHS. For these 90 centers, 37% of the almost 7,800 children served were subsidized by IDHS.

The totals, however, do not tell the whole story. The results differed dramatically depending on the center, location and age of child. The differences are illustrated by comparing two Chicago centers: one cares for 31 children and none of them are subsidized by IDHS while another center reported that 95% of the 94 children served were subsidized by IDHS. The 90 survey respondents care for 445 infants ages 6 weeks to 14 months. Forty-two percent of those infants are subsidized by IDHS. The totals for each age group are listed to the left.

A Closer Examination of the For-Profit Sector

Nationally, 35% to 40% of the over 100,000 licensed child care providers operate under the for-profit tax status. In rural areas, this percentage can be significantly higher. In at least one-quarter of for-profit programs, subsidized children represent at least 25% of enrollment (Child Care Consortium 2003). In Illinois, for-profit programs comprise 25% of center-based care and education programs, 90% of which are licensed. The number of subsidized children served in for-profit vs. nonprofit centers is currently not tracked by IDHS. For-profit providers serve a high proportion of families using center-based care in many parts of the state, and

Generally, smaller for-profit centers run on such tight margins that they cannot afford to offer social services and mental health supports or to hire specialized staff to offer parent education and involvement activities.

are particularly important in rural areas such as Wayne County where an owner operates the only licensed child care center in the entire county.

For-profit centers fall into five legal categories: sole proprietorships, partnerships, S corporations, C corporations, and Limited Liability corporations. Appendix I contains a table describing the differences between these legal entities in regard to ease of start-up, governance structure, taxes, and liabilities. In regard to early care and education service delivery, there are also significant differences among the for-profit sub sectors below:

- Independent single site for-profit centers and independent small multi-site for-profit corporations;
- National or regional larger for-profit corporate chains; and
- National corporate- or employer-sponsored for-profit child care organizations.

For-Profit Single and Smaller Multi-Site Centers

The majority of centers are small businesses, often owned by husband and wife teams, who operate a single site as a sole proprietorship or partnership. Most serve between 60-80 children. Other owners operate more than one site, and can employ up to several hundred employees. These centers depend primarily on parent fees for their revenue, with some centers accepting IDHS subsidy payments made on behalf of parents.

Small independent centers are generally unable to take advantage of the economies of scale available to the larger chains. Smaller centers are particularly challenged to afford staff health insurance, retirement, and even paid holiday and sick leave benefits, making them less competitive when hiring staff. With few administrative staff, these owners work very long hours and wear many hats, from maintaining computer systems, to basic clerical and bookkeeping functions, to substituting in the classroom. Generally, smaller for-profit centers run on such tight margins that they cannot afford to offer social services and mental health supports or to hire specialized staff to offer parent education and involvement activities. Owners' salaries can vary greatly from year to year, particularly in the start-up phase. In many instances, owners of small centers may have to pay a certified teacher more than they pay themselves.

There are advantages to choosing the for-profit tax status. For example, many owners operate as a for-profit because they view their center as an investment in an asset that can be sold when

Most corporate chains that operate in lower-income communities do so because they located there years ago. The larger national for-profits have few economic incentives to open new sites in low-income communities today.

they retire. This tax status allows owners to write off business trips and other business-related expenses.

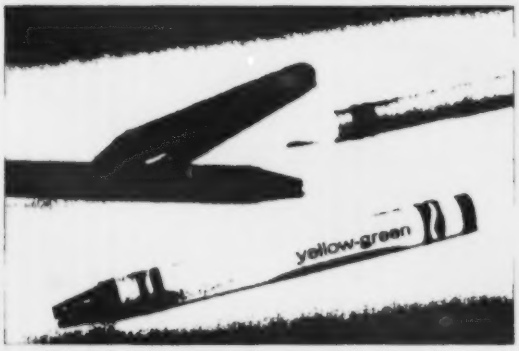
For-Profit Larger Corporations or Chains

National or large regional for-profit chains operate 4% of the child care programs in Illinois. They rely predominantly on parent fees, with many also accepting child care subsidy payments made by IDHS on behalf of parents. For example, 38% of children who are enrolled full-time in Children's World's 40 Chicago and Rockford area centers receive subsidies. Most corporate chains that operate in lower-income communities do so because they located there years ago. The larger national for-profits have few economic incentives to open new sites in low-income communities today. Of those for-profit child care organizations listed in the top 40 largest in the U.S., two are headquartered in Illinois: Bobbie Noonan's Child Care headquartered in Frankfort, serving 1,675 children in 13 centers and Rogy's Learning Lane in East Peoria serving 1,526 children in 13 centers (Neugebauer January 2001). La Petite Academy is also now headquartered in Chicago.

Larger child care chains can reduce their costs through economies of scale, such as bulk purchasing, centralized production of materials, advertising, and a centralized management structure that includes layers of specialized staff available to support individual sites. They can also offer employee benefit packages, including not only health, dental, life insurance, and paid sick and vacation time, but also retirement plans and tuition reimbursement for professional development activities.

Corporate-Sponsored Centers

Corporate-sponsored centers provide on-site child care in the workplace primarily for children of the sponsoring company's employees. These centers operate 2% of the child care programs in Illinois, and rely both on parent fees and corporate subsidies from their affiliated companies. Corporate-sponsored child care and education companies share many of the characteristics of the larger for-profit chains described above. However, the sponsoring corporation generally finances the physical facility. Perhaps the best known provider of corporate-sponsored early care and education is Bright Horizons Family Solutions, which operates 18 centers in Illinois, including those for Abbott Labs, Bank One, CDW, Fourth Presbyterian Church, the City of Chicago, Cook County, and the Federal government. In 2002, Bright Horizons was one of the few for-profit chains that



In Illinois, nonprofit programs comprise 75% of center-based care and education programs.

expanded, growing from 390 to 470 centers and expanding its operations overseas to 65 centers outside of North America (Neugebauer January 2001). Although more than half of Bright Horizons programs are open to the community, a Network Access Program allows parents of participating companies to choose from a network of Bright Horizons centers, giving these parents priority enrollment status. Nonprofits can also operate corporate-sponsored child care centers, such as the Blessing Hospital Child Care Center in Quincy.

A Closer Examination of the Nonprofit Sector

The differences between the types of nonprofits are as noteworthy as those between for-profits and nonprofits. Nonprofit organizations provide the preponderance of child care services nationally. In Illinois, nonprofit programs comprise 75% of center-based care and education programs (includes any provider that is not a family child care home or an in-home provider), 49% of which are licensed. The majority of license-exempt center-based early care and education (57%) is provided in public schools, the fastest growing sector of the market.

Private nonprofit centers

Independent nonprofit programs comprise 35% of center-based child care in Illinois. This very diverse category includes smaller neighborhood centers and larger multi-site centers. Nationally, these centers tend to be close to the average size for all centers, serving 70-80 children, with parent fees comprising 89% of revenues (Inside Child Care Trend Report 1997-98 & 2000). Other revenue sources include subsidy payments from low-income parents, subsidy payments made by employers, federal Child and Adult Care Food Program subsidies, privately and publicly-funded grants (e.g. foundation grants, United Way funds), and tax-deductible donations. Some nonprofit child care centers are also Head Start delegates, and some subcontract with school districts to offer Pre-K classes.

In addition, nonprofit centers also include:

- Nonprofit programs affiliated with a larger agency;
- Faith-based programs;
- College- and university-affiliated programs;
- Military programs; and
- Other government-sponsored programs (e.g. sponsored by local park and recreation districts).

Public school-sponsored programs

ISBE's Pre-K program currently serves 56,000 preschoolers residing in 623 school districts throughout the state. Most Pre-K services are delivered in school classrooms, although some Pre-K services are delivered in the context of full-day, full-year programs through collaborations with Head Start and community-based child care centers. Many school districts cover the costs of transportation to Pre-K programs. Most often, the ISBE Pre-K grant does not cover the full cost of the Pre-K program, thus, local school districts subsidize the cost of the program to varying degrees.

A few school districts, such as the Chicago Public Schools and Indian Prairie District #204 in Naperville, also offer part-day or full-day programs on a fee-for-service basis. In Western Springs, the for-profit Grand Avenue Preschool has operated tuition-based preschool classrooms in the local public school for years. Some high schools also operate part- or full-day early childhood programs that serve as a laboratory for their child development students, child care for teen mothers, and as a service for employees of the school district. In addition, over 29,000 children aged 3-5 with disabilities participate in early childhood special education services funded through federal Individual with Disabilities Education Act funds (ISBE 2003).

Private school-sponsored programs

Early care and education services are also offered in non-public schools that may voluntarily register with ISBE. Many nonpublic schools are eligible for services from a variety of ISBE grants. Some competitive grants (e.g. Technology Literacy and Reading Excellence) require equitable participation of nonpublic schools. Some services, such as Title I and Special Education, are provided to nonpublic school students through public school districts. To be exempt from state sales taxes for purchases made on behalf of the school, nonpublic schools must operate for educational purposes and offer, at a minimum, kindergarten as well as early elementary grades. Although these nonpublic schools are exempt from state taxes, they must pay federal taxes. Most nonpublic schools that only offer services to children under age six are not exempt from state sales taxes.

Head Start

Head Start programs represent 9% of all center-based programs in Illinois, with 75% administered by nonprofit or for-profit

agencies, 16% by community action agencies, and 9% by government agencies or public or private school systems. There are 46 Head Start grantees and 146 delegate agencies serving 36,600 preschoolers and 2,700 infants, toddlers, and pregnant women through Early Head Start. Head Start centers tend to be smaller than average, with a national average capacity of 60 children (Neugebauer March 2000). Increasingly, Head Start programs are partnering with child care providers or obtaining child care subsidy funds directly to provide full-workday, year-round care and education to children. The Head Start program is free to families, although families must pay a co-payment if their child is enrolled in a full-day, year-round Head Start/Child Care collaboration program.

Section 4: Comparing the Assets and Challenges Facing For-Profit and Non-profit Centers

Access to Capital for Expansion or Facility Improvements

Today, both nonprofit and for-profit child care organizations must be sensitive to changes in consumer demand. For-profit child care organizations can attract capital to expand or improve the business by tapping into standard commercial routes. Banks are accustomed to loaning money to for-profit companies that can supply profit and loss statements. In addition, for-profits may be able to raise funds for expansion or a new venture from investors who are motivated by returns on their investment. However, until a child care center is well-established as a viable business, it is unlikely to attract support from banks or other investors. Typical for-profit centers are founded with funds from the owner or with a bank loan that is personally guaranteed by the founders.

Nonprofit status is not as conducive to raising capital since nonprofits cannot provide dividends or be sold to yield returns to investors. In addition, most banks are less knowledgeable about the nonprofit business model and therefore are more reluctant to make loans to nonprofits. Furthermore, banks do not want to jeopardize their relationships in the community if they have to foreclose on a community nonprofit (Neugebauer 1999). There are ways for nonprofits to tap into commercial funds, such as establishing a tax-paying subsidy. However, restrictions abound, often limiting nonprofits in their ability to respond quickly to market forces (Neugebauer 1997). On the other hand, nonprofits may be able to position themselves more effectively to benefit from anticipated new public funding streams.

One resource that is available to nonprofit child care organizations, but not to for-profits, is the Illinois Facilities Fund (IFF), a community lender that provides low-interest loans and

Most federal and state early care and education programs have recognized the role of for-profit entities in providing quality services.

technical assistance to nonprofits, including child care providers, for facilities renovation and construction. As a lender, owner, and developer of child care facilities, as well as a management and financial consultant, the IFF pulls together the public- and private-sector resources and expertise necessary to support capital improvements to build child care capacity in nonprofit agencies in Illinois. Many smaller for-profit center owners have expressed interest in accessing similar services.

Access to Operating Revenue

One way to access operating revenue is participation in government programs that provide funds to eligible organizations delivering specific services. Most federal and state early care and education programs have recognized the role of for-profit entities in providing quality services. Therefore, like nonprofit child care organizations, for-profits are currently eligible to access directly the key federal funding streams that support early care and education programs, including child care subsidies that are funded with both federal and state funds, the U.S. Department of Agriculture's Child and Adult Care Food program (CACFP), and Head Start.

In the 1998 reauthorization of Head Start, Congress fully recognized the role of for-profit entities in providing quality services, declaring that there was no justification for limiting provider participation in federal early childhood programs based simply on an organization's tax status. With welfare reform, the value of parent choice shifted the mechanism for awarding child care subsidy funds away from site-based contracts with nonprofit agencies to certificates that parents can use at the child care setting of their choice.

The Child and Adult Care Food Program plays a critical role in providing nutritious meals and snacks to low-income children in participating in early care and education programs. Today, over 8,000 for-profit centers nationally participate in this program. However, participation requirements for for-profits are more restrictive than those for licensed nonprofits and child care homes. The National Child Care Consortium is working to amend federal statutory language to maintain current participation levels and the number of needy children served in for-profit programs.

An option for securing operating revenue available specifically to nonprofits is funding from philanthropic sources, including charitable donations from individuals and corporations. Many foundations and philanthropic organizations such as The United Way restrict their giving to nonprofits or give nonprofits

Many small and mid-size nonprofit child care agencies receive little charitable funding as they often lack the skills and resources to compete effectively for philanthropic grants against larger nonprofits.

advantage in the grant award process. Nevertheless, less than 1% of all funding for child care comes from philanthropic sources (Neugebauer 1999). Lastly, many small and mid-size nonprofit child care agencies receive little charitable funding as they often lack the skills and resources to compete effectively for philanthropic grants against larger nonprofits.

In recent years employer subsidies have also added to the revenue streams of child care centers. Although employer contributions to child care are small (less than 1% of the cost), employer-sponsored child care is one of the fastest growing forms of child care nationally (Neugebauer May 2001). Early on, employers seeking to gain a competitive advantage in staff recruitment and retention typically provided child care benefits by setting up a nonprofit child care center, often on-site, to meet the needs of their employees. The recent trend, however, has been to contract out to existing child care organizations to manage these on-site child care center services. For-profit companies have been the primary beneficiary from this business model, particularly because the employer often absorbs costs associated with facility occupancy, which can result in large savings. Only one in three nonprofit child care programs receive any support from employers.

Blended Funding Streams

As the needs of families have changed, Child Care, Head Start, and Pre-Kindergarten professionals have come together to form quality early education and care partnership programs that take into account the scheduling needs of working parents or those engaged in education or training activities. These partnerships between Child Care, Head Start, and Pre-K give more families access to good quality early education and care, a prime foundation for school readiness and academic achievement, by blending half-day Head Start and Pre-K funds with child care funds to offer full-workday, year-round high-quality services. Combining funds from various sources maximizes the use of existing resources to respond to families' diverse scheduling needs and yields higher quality as more revenues are available to support program components that research reveals lead to positive child outcomes.

In recent years in Illinois, the number of child care centers operating state-funded Pre-K/Child Care and Head Start/Child Care Collaborations has grown substantially. Although most of these partnerships are with nonprofit child care organizations, some Head Start grantees are partnering with for-profit centers, such as Project NOW Head Start's partnership with It's a Child's World Center in western Illinois. In 2002, Illinois' Migrant Head

The average for-profit center invests nearly three times as much in occupancy costs as does the typical nonprofit.

Start program funded three collaboration programs, all operated by for-profit organizations – the Learning Zone in Mattoon, Leaps & Bounds in Princeville, and Building Blocks in Springfield. These centers used Head Start funds to purchase books, playground equipment, and classroom furniture, hire bilingual teachers, and train personnel.

Of the 17,000 children served in Chicago Public School (CPS) Pre-K programs, 3,900 are served through the Pre-Kindergarten Subcontracting program by 54 agencies operating 235 classrooms in child care centers. Of the 54 agencies, nine (17%) are presumed to be for-profit organizations, delivering high-quality Pre-K services through certified teachers to 425 three- and four-year-olds in 13 centers. Thus, for-profit providers are already partnering with the Chicago Public Schools to provide high-quality early education to the children of low-income working families. In addition, numerous other school districts are partnering with for-profit centers, particularly in rural areas where only one center is available to serve children who need full-workday, year-round services.

Revenues and Spending

Both for-profits and nonprofits have to meet the costs of doing business and balance their books at the end of the year. Each has to determine their spending priorities within the context of their revenues. For example, if a small for-profit center has to pay property taxes that a neighboring nonprofit does not, then the owner may have fewer funds available to pay teacher salaries, or may need to charge higher tuition to maintain competitive wages.

Nonprofits exempt under state law do not pay property, sales, and licensing taxes for facilities they own. In addition, churches and local governmental agencies such as park districts are more likely to offer free or reduced cost space to nonprofit centers. These savings can add significantly to available revenues, particularly as purchases and assets of the organization grow. The average for-profit center invests nearly three times as much in occupancy costs as does the typical nonprofit (Morris 1996). Property taxes are a large part of this differential.

Because tax deductions can be taken for charitable donations, businesses are much more likely to donate equipment, supplies, and labor to nonprofit centers. If a nonprofit organization has significant surpluses at the end of the year, these funds are returned to the organization free of taxation. In for-profit organizations, as profits or surpluses grow beyond a modest increase in the owner's salary, tax liability grows at an increasing rate.

While federal support for child care grew by more than 600% since 1980, federal funds pay for less that 20% of all child care costs.

Management Challenges

Conventional wisdom holds that for-profit entities are more efficient and "business-like." In reality, centers of all types operate at such tight margins that those that are not well managed are likely to go out of business. In 2002, the six largest for-profit child care chains – KinderCare, La Petite Academy, Children's World, Childtime, Bright Horizons, and Knowledge Learning – grew by less that one half of one percent (Neugebauer 2003). Like for-profits, nonprofits receive most of their revenues from families who use their services. While federal support for child care grew by more than 600% since 1980, federal funds pay for less that 20% of all child care costs (Neugebauer 2000). Thus, even nonprofit charitable organizations must employ entreprencurial skills to survive in the child care market.

Organizations require different management skills depending on a range of characteristics. Child care centers serving predominantly low-income families regardless of their legal status will draw upon skills in grantsmanship, multi-source fund management, public contracting, and linking to a range of community services. Large national for-profit chains must be adept in real estate management and acquisition, multi-site management, communication, and marketing. For the vast majority of small to mid-size nonprofit and for-profit centers, the skills required for success are almost identical.

Larger child care companies enjoy some economies of scale that enable them to direct resources to support specialized personnel who provide quality enhancement services to their local sites. For example, education departments develop curriculum and assessment materials and tools, provide programmatic, as well as legal and technological support, and technical assistance in financial management issues. They also organize training and professional development for staff on site. However, the vast majority of for-profits lack these resources.

For-profits can also differ from nonprofits in regard to decision-making, which can affect organizational responsiveness to changes in the market. In a small for-profit child care center operated by a single owner or partners, control rests with the owner or partners. In a nonprofit, although the day-to-day operations of the center are delegated to an Executive Director, "ownership" is vested in a board of directors that sets the course for the organization and represents the interests of the community in decision-making. A board can hold the Executive Director accountable for key policy decisions as well as financial matters. This governance model, however, can present numerous challenges, particularly if board members cannot devote enough

Illinois is fortunate to have many resources that assist early care and education providers to improve their programs in order to enhance quality and produce positive child outcomes.

time to oversee center business. Unskilled executive directors can mislead their board members. Directors who are overburdened with daily operational issues can lack the time or expertise to train board members to respond decisively in the present market (Neugebauer 1997).

Resources to Enhance Program Quality

Illinois is fortunate to have many resources that assist early care and education providers to improve their programs in order to enhance quality and produce positive child outcomes. These include programs such as Great START and T.E.A.C.H. Early Childhood® Illinois, which improve children's developmental and educational outcomes by encouraging increased professional preparation and retention of child care personnel. Of the 625 child care centers that have participated in the T.E.A.C.H program since its inception, 312 or 50% are for-profit. Regrettably, in most instances it is impossible to compare the rates at which for-profit, nonprofit, and school-based providers use many of these resources because data are not aggregated by providers' legal status.

Appeal to Parents

A recent statewide general population telephone survey of 1,740 Illinois parents conducted between August to December 2002, including 1,021 parents of children age 5 and under and 719 parents of children 6 to 12 years old, found that parents consistently rank two characteristics of child care as "most important," regardless of the child's age:

- The way the child and caregiver relate to each other was identified by 49% of parents with children from birth to 5 years old and 52% of parents with children 5 to 12 years old as the most important characteristic of care.
- Training and education of the caregiver was identified by approximately 22% of parents as the most important characteristic of care.

The number of children per caregiver and the types of activities or programs offered were identified by between 7% and 10% of parents as the most important characteristics of care. Flexible and convenient hours, affordable cost, and convenient location are all identified by less than 5%. Although legal status was not among the choices offered to survey respondents as an important selection factor in choosing a center, it is unlikely that most parents know the legal or licensing status of the child care arrangements they use.

Section 5: Characteristics of Quality: Implications for For-Profit and Nonprofit Centers

Early care and education program quality is most often measured by assessing both process and structural program characteristics. Process quality looks at the actual experiences that occur in settings, such as teacher-child interactions, type of instruction, the kinds of activities in which children are engaged, room environment and materials, relationships with parents, and health and safety routines (Espinoza 2002). Structural quality is measured by reviewing program elements such as teacher-child ratios, class size, square footage, qualifications and compensation of teachers and administrators, supervision, and professional development opportunities for all staff. Both process and structure quality are interrelated in influencing the educational experiences of children. Studies linking outcomes to quality are the basis for requiring that programs participating in the universal preschool program or a tiered reimbursement system meet higher standards that address process and structural program components.

Learning from the Cost, Quality, and Child Outcomes in Child Care Centers Study

The most in-depth investigation of child care quality, costs, and child outcomes across sectors was conducted in 1995 (Cost, Quality & Child Outcomes Study Team 1995). The Cost, Quality, and Child Outcomes in Child Care Centers (CQO) study used data from 401 child care centers in four states to compare differences in the budgets of centers providing better quality child care to those providing lower quality care. Of the 401 total, 148 centers provided higher quality child care and 253 lower quality care. Randomly choosing 50 for-profit and 50 nonprofit centers serving demographically similar children in each state, researchers conducted within sector and across sub sector comparisons of the service quality and budgets of church-affiliated nonprofits, secular nonprofits, and for-profit centers.

Spending on Quality

In general, the overall quality of service was not significantly different between the for-profit and nonprofit sectors if care was adequately regulated. In fact, 87% of the centers studied provided mediocre or poor quality care. Considerable differences in quality between sectors were evident in the state with the most lax licensing requirements. Regardless of sector, the centers that had to conform to higher standards and meet more stringent licensing requirements had higher quality.

In addition, the extent to which centers received sources of revenue other than parent fees was found to be one of the significant determinants of service quality. For-profit and church-

affiliated centers had lower levels of quality due to their dependence on parent fees as their major revenue source compared to independent and publicly operated nonprofits. Nonprofits benefited from in-kind donations as well as cash contributions from philanthropic sources and government that could be spent to pay staff higher salaries, a key component of quality. Nonprofits also relied more on cash subsidies to reduce costs to parents. About 88% of revenue in for-profit centers came from parent fees, compared to 55% in the nonprofit sector.

Overall, researchers found that there were no financial gains from providing higher quality services, as surplus or profit per child on average did not differ significantly between lower and higher quality centers. Higher quality programs cost about 20% more than lower quality and 10% more than average quality, but higher quality centers offset this higher total cost per child with higher total revenue.

Better quality centers spent more per child on staff wages and benefits, as well as administrative salaries and benefits than centers providing lower quality. There was little overall difference in costs per child on other expenses such as facilities, materials, and food. Excluding occupancy costs, other non-labor costs such as materials were almost identical for higher and lower quality centers, representing less than 20% of the total cost.

Findings Across For-Profit and Nonprofit Centers

Spending

The distribution of costs differed between the for-profit and nonprofit sectors. Nonprofit centers paid higher wages for all job roles. Labor costs represented 79% of total cost in nonprofits, but only 62% in for-profit centers. All costs other than those spent on labor and food were higher in for-profit centers. For-profits spent more than twice as much on occupancy costs as nonprofits, offsetting half of the nonprofit sector's labor cost advantage. Because occupancy subsidies were rare in the for-profit sector, they spent a larger percentage of their costs on facilities (22% vs. 9%). Since for-profits could not dramatically raise fees due to stiff market competition, they spent less on labor to make up the difference.

Generally, centers across sectors charged similar fees per hour. Larger for-profits proved somewhat more competitive, providing a given quality of service at a lower cost per child hour due to economies of scale in purchasing. For-profit and nonprofit centers operated at similar degrees of efficiency, with no statistically significant differences in cost functions between them.

Revenues

Total revenue was about 10% higher in nonprofits than for-profits; however, profit rates on income were not significantly different between sectors. All centers earned low rates of profit on income and probably on investment in the business as a whole. Nonprofits had a mean surplus of $.06 per child hour and for-profits a profit of $.095 per child hour. These figures translate to 2.7% and 4.4% of total revenue. The average center earned less than 4% annually over interest on borrowed money. Nonprofits benefited more from in-kind donations and cash contributions from philanthropic sources and government to reduce costs, which allowed these centers to spend more on labor expenses. Nonprofits also relied more on cash subsidies to reduce costs to parents. The for-profit sector was more heavily reliant on parent fees, with about 88% of revenue in this sector coming from parent fees compared to 55% in the nonprofit sector.

Findings Within For-Profit and Nonprofit Sub sectors

Researchers not only analyzed characteristics across for-profit and nonprofit centers, but also conducted comparisons within the nonprofit sub sectors of independent, church-affiliated, and publicly operated nonprofit centers and the for-profit sub sectors of independent for-profit centers, local chains, and national chains. Within-sub sector variation was as great as cross-sector variation, with greater differences on characteristics related to center quality within the nonprofit sector than within the for-profit sector.

Independent for-profit centers, local chains, and national chains did not differ dramatically in their labor costs, total costs and revenues per child hour, and overall quality. Overall, for-profit centers provided higher quality care at the lowest delivery cost, although they did not necessarily charge the lowest fees. For-profit centers had the lowest labor costs, but had higher non-labor costs than either secular or church-based nonprofits, with nearly all of the difference in occupancy costs, not other program costs. Mean wages for all teaching staff were lower in centers in national systems than in other for-profits, however, national systems seemed to keep their total labor costs in line with other for-profits by substituting benefits for wages.

Section 6:
Conclusions and Recommendations for Action

We know what high-quality care and education is and how to provide it, yet our current financing system fails to produce enough high-quality services that yield the short-term school readiness and longer-term productivity results that research promises. Even with a mix of subsidies of all types, high-quality center-based care and education is costly to provide, and often too costly for all but the wealthiest families to afford. Although the financing of early care and education must be a shared responsibility between families, employers, government, and foundations, new investments across sectors must be made to raise staff compensation levels and to sustain an infrastructure that supports quality.

For-profit child care centers are an integral part of the formal early care and education system, serving 60% of the infants and toddlers in center-based care, and close to 50% of all three, four, and five-year-olds. For-profit child care centers face some of the same challenges as other providers and some unique challenges as they struggle for funding sufficient to provide quality services.

The recommendations and action steps below are offered as a roadmap for achieving our goal of access to high-quality care and education that results in later school success for all young children in Illinois. To accomplish this goal, there should be equal access to funding. Nevertheless, the characteristics of the providers must be taken into account in designing effective technical assistance programs and funding streams. These challenges and the key findings of this report are summarized below.

FINDING #1: Like other types of providers, for-profit centers can provide higher quality services when they have revenue streams over and above parent fees. Technical assistance to support both the process and structural components that comprise service quality is also critical.

***Recommendation*:** Support for-profit and nonprofit child care centers in efforts to meet high-quality service standards by making funds from different sources accessible and facilitating the blending of funding streams.

Action Steps:

- Allow all licensed early care and education providers, regardless of tax status, to apply for all state and federal early childhood program funds. Tie funding to standards that demonstrably produce positive child outcomes and evaluate performance based on the ability to meet standards.
- Fund state PreK programs in community-based child care settings at the same levels as school-based programs. Support PreK services provided in child care centers for a full year (248 days) rather than a school year (180 days), and assist both for-profit and nonprofit centers to recruit certified teachers.
- Raise child care subsidy base rates to improve low-income families' access to quality care and education. The 2002 IDHS Market Rate Survey indicated that in many communities, child care reimbursement rates are far below what many licensed centers and homes charge, limiting families' access to the service setting of their choice.
- Implement a tiered reimbursement program to provide financial incentives and increased resources for child care centers that meet higher standards. Such a program must include training and supports to assist providers to meet new requirements.

- Survey for-profit providers, concentrating on those serving large numbers of low-income children, to determine the most effective ways to deliver technical assistance and training that produces measurable results. Selected for-profit providers identified the following strategies as potentially effective tools in helping them improve quality:
    - Target resources to assist center owners and directors to improve the administrative operations of their centers by providing on site technical assistance based on specific center needs.
    - Offer mini-grants through CCR&Rs and low-interest loans to improve administrative capacity and efficiency (e.g., automating business practices, cost allocation, budgeting, etc.).
    - Fund training for for-profit child care center personnel on how to use the Illinois Early Learning Standards, which are aligned with the Head Start Performance Standards, as benchmarks of program quality.

FINDING #2: More resources are needed to meet the comprehensive needs of children in low-income families and children with special needs. For-profit child care centers rely more heavily on parent fees, do not have access to philanthropic grants and charitable donations, and are subject to a variety of taxes from which nonprofits are exempt. Many for-profit providers serve the most vulnerable children, but struggle to find adequate funding to provide the highest quality settings.

Recommendation: Increase resources available to for-profit child care centers that serve more children in low-income families and children with disabilities.

Action Steps:

- Develop new service delivery and funding models that provide incentives for for-profits to serve lower-income children and children with disabilities. Make it easier for for-profit centers to add subsidized children and children with special needs to their classrooms and still meet their revenue targets.
- Explore models for targeting quality enhancement resources to for-profit centers already serving large numbers of low-income children at risk of poor outcomes (e.g. 50% or more children with subsidies), such as the Minority and Women-owned Business set-aside program operated by the City of Chicago.
    - Explore new ways to assist for-profit as well as nonprofit centers serving low-income children and families to provide needed support services, including social services, family support, mental health services, and linkages to health and dental care.
    - Investigate models that consortia of child care providers might use to access a range of support services, such as developmental screening, curriculum implementation, assessment implementation, substitute teachers, etc.
    - Increase resources for for-profit centers to offer parent education, involvement, and support activities based on best practice models.

FINDING #3: The early childhood market is structured so that parents bear the lion's share of the cost. As a result, most families cannot afford to purchase quality early care and education for their children. Furthermore, competition pressures providers to keep tuition low. Thus, it is difficult for many providers to generate sufficient revenues to improve the quality of their services. To improve service quality and efficient use of resources, there is a significant new emphasis on collaboration across early care and education programs at the federal and state levels and across providers – schools, nonprofits, for-profits - at the local level.

***Recommendation*:** Promote collaboration and support planning at local community and regional CCR&R levels.

Action Steps:

- Support formal collaborative planning efforts at local community and regional levels to decrease overlapping services, maximize services for varying needs, make access to services less confusing for families, and more efficiently use existing capacity and resources to prepare children for success in school.
- Encourage funders of early care and education services – including federal Head Start, the Illinois State Board of Education, and the Illinois Department of Human Services – to work collaboratively with community providers to understand how different policies and allocations of resources might affect the stability and growth of both the for-profit and nonprofit sectors and schools.
- Work with for-profit center owners, particularly smaller proprietary programs, to develop strategies to enable for-profits to participate in local service system planning efforts.
- Work with CCR&Rs to reach out to for-profits to increase their understanding of and access to CCR&R resources and services.

FINDING #4: To reach our long-term goal of helping all children enter school ready to succeed, we must have and use accessible data to plan quality enhancement strategies that build on the strengths of and address the challenges of all providers in our current mixed sector early care and education market. Unfortunately, we have limited data about the personnel who work in for-profit centers and the children and families whom they serve.

***Recommendation*:** Improve and coordinate state agency management information systems (MIS) in order to increase understanding of local and statewide early care and education markets and the effects on young children and families.

Action Steps:

- Coordinate the IDHS Child Care Tracking System database which contains information on subsidized children and the INCCRRA Carefinder database so that the number of children with child care program subsidies served in for-profit and nonprofit settings can be identified and tracked.
- Work with ISBE and Region V Administration on Children and Families to integrate data about all PreK and Head Start programs into the INCCRRA Carefinder database.
- Track CCR&R professional development services and Great START program usage by for-profit/ nonprofit status to better understand which centers are using available supports to enhance quality.

FINDING #5: As small business owners and critical service providers, for-profit owners can strengthen their voice and enhance their effectiveness in the public policy arena through collective action.

***Recommendation*:** Strengthen for-profit child care by encouraging owners to advocate on behalf of the children and families they serve at the local, state and national levels.

Action Steps:

- Encourage for-profit providers to join together to influence public policy to promote positive outcomes for young children and families through quality early care and education experiences.
- Engage in public education efforts to inform the public, policymakers, and early care and education stakeholders about the critical role for-profit child care centers play in educating and nurturing young children.

Organizations such as the National Child Care Association on the federal level and PSO/Illinois' Child Care Association on the state level are effective advocacy organizations that bring the concerns of licensed for-profit centers to legislators and policymakers. Through the 400 member PSO/Illinois' Child Care Association professional organization, members receive legislative information, regulatory updates and are offered opportunities for networking and professional development through conferences and mailings. Many for-profit child care owners are also active members of the Day Care Action Council of Illinois and their local Association for the Education of Young Children chapters, which are strong voices both locally and in the state legislature promoting strategies to enhance the quality of early care and education services so that young children are happy, healthy, and ready to learn when they enter school.

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Appendices

Appendix I: Summary of Key Characteristics and Differences Between Legal Entities Providing Early Care and Education Services

Appendix II: Salary and Staffing Profile of Child Care Centers Data from the IDHS 2001 Illinois Salary and Staffing Survey

Appendix I: Characteristics of and Differences Among Entities Providing Early Care and Education Services

Definition and Ease of Start-Up	Control	Taxes	Liability
Sole Proprietorship			
A sole proprietorship, the simplest and least expensive for-profit entity to set up and maintain, is a one-person business. Requires filing the name with federal, state, and local governments and obtaining a business license. Can't be used for joint ownership other than with a spouse.	Legally, a sole proprietorship is inseparable from its owner, and all control rests with the owner.	Treated as a single entity with owner's personal tax return so all income and expenses are passed through to the owner. Any surplus is passed on to the owner who pays federal and state income taxes on her salary plus any profit. Ordinary and necessary business expenses are tax deductible.	Owner has unlimited personal liability. If a center fails, creditors can go after the owner for uncollected debts. This is a big disadvantage, exposing all of the individual owner's assets in a claim against the business. A sole proprietorship ceases to exist with the death of its owner.
Partnership A partnership is a business owned by two or more people. Requires two or more individuals to file with federal, state, and local governments. Doesn't require any formal ongoing reporting.	Generally management is by agreement and simple majority. However, independent actions by a partner within the partnership may be legal and may place other partners in jeopardy.	The partnership's owners pay taxes on their share of the business income on their personal income tax returns. Any surplus is passed on to the owner partners who pay federal and state income taxes on their salaries plus the profit. Ordinary and necessary business expenses are tax deductible.	Each partner has unlimited personal liability to any action of other partners within the partnership. This is a big disadvantage, exposing each of the individual partner's assets in a claim against the partnership.
Corporation A corporation is an independent legal and tax entity, separate from the people who own, control, and manage it. Higher costs are involved in setting up and maintaining legal record keeping. Requires initial incorporation filings and document preparations, on-going documentation and disclosure of certain ownership decisions, and annual requirements for the filing of separate tax returns.	A legal entity in itself that issues ownership interests as shares of stock, which possess control as a simple majority. Involves a built-in separation of ownership from management, which is important to a larger business.	The owners of a corporation do not use their personal tax returns to pay taxes on corporate profits; the corporation itself pays these taxes. Profits within a "reasonable" level may be paid out as salaries. Excess (dividends) are taxed at a corporate level meaning additional taxation. Excess profits from good years may be retained in the corporation at more attractive "split" tax rates.	Generally the corporation acts as a shield to prevent shareholders from legal liability in excess of their investment in the center or stock of the organization. As a legal entity, it will survive the death of any or all owners, partners and shareholders.

S Corporation	Control	Taxes	Liability
An S Corporation provides the liability protection of a corporation but payment of taxes on the same basis as a sole proprietor or partnership (i.e. owner pays tax at the personal rate and profits are the salary). S Corporations limit the number of corporate shareholders to 75, stipulate that all shareholders be U.S. citizens, and require that shareholders be individuals rather than other corporations or estates.	Same as a regular corporation	Profits and losses can be passed through the corporation and allocated and taxed to each shareholder separately. All profits of the S corp. are taxed even if they aren't distributed to the shareholders. Tax advantages include profits taxed at the lower personal rate and potential to write off losses against personal income tax. S Corporations are limited in the amount of tax deductions for fringe benefits such as heath insurance, group term life insurance, deferred compensation plans, etc.	Same as a regular corporation
C Corporation	**Control**	**Taxes**	**Liability**
C Corporations are considered a separate entity from their shareholders, and must pay taxes on income left over after business expenses.	Same as a regular corporation	C Corporations can take advantage of lower initial corporate income tax rates. For profitable companies, C Corporation status has the ability to provide greater flexibility in terms of planning and controlling federal income taxes. C Corporations also can fully deduct the cost of certain fringe benefit packages. C Corporations run the risk of being taxed twice on their profits - once as a corporation, and a second time as an individual when those profits are dispensed as dividends or when the corporation is liquidated.	Same as a regular corporation

Limited Liability Company (LLC)	Control	Taxes	Liability
LLCs are similar to corporations in providing limited personal liability for business debts and claims, and like partnerships in that owners pay taxes on their share of the business income on their personal income tax returns. Easy to start up. Doesn't require any formal ongoing reporting.	May be member or manager controlled as chosen at inception.	Sole-owner LLC treated as a sole proprietorship. Multi-owner LLC treated like a partnership. In both, all profits and losses taxed directly to members.	Same as a regular corporation

Nonprofit Corporation-501(c)3	Control	Taxes	Liability
A nonprofit corporation is typically formed to carry out charitable, educational, literary, religious or scientific activities. Lengthier, more costly start-up process: 1. Must file articles of incorporation with the state 2. Must apply to U.S. Internal Revenue Service for tax-exempt status and to state for state tax-exempt status	Corporate bylaws lay out operating rules for the nonprofit corporation. A Board of Directors sets policies and directions for the organization as stipulated in the articles of incorporation. Generally, the day-to-day operations are delegated to an Executive Director.	Individuals or corporations can take a charitable tax deduction for donations to the corporation. Tax-exempt nonprofits are not subject to most taxes, including sales, property and licensing taxes. Surpluses of income over expenses are not subject to taxation. Nonprofit corporations cannot distribute any profits to its members, contribute money to political campaigns, or engage in lobbying efforts except under limited circumstances.	Liability is limited to the assets of the organization. If the center fails, creditors cannot go after board members or the director for payment. Insurance coverage can also be secured that provides substantial protection to board members acting in good faith from lawsuits arising out of the operation of the center. If the organization is dissolved, all debts and obligations must be paid off and its remaining assets donated to another tax-exempt nonprofit corporation.

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Public Schools	Control	Taxes	Liability
The School Code governs Illinois' 3,915 public schools and 893 school districts. Illinois has three types of school districts: 383 elementary districts, 103 secondary or high school districts, and 407 unit school districts that contain both elementary and secondary schools in one district. Over 2 million children (87%) are enrolled in public schools, and 317,000 (13%) in nonpublic schools. 37.5% of public school students are low-income.	The Illinois State Board of Education, whose members are appointed by the Governor, and the Superintendent of Education hired by the board, provide leadership & support for the work of local school districts. All local school districts, except Chicago Public School District 299, are governed by elected local school boards. Every school district is administered by a Superintendent who is hired by the local school board.	Public schools are not subject to most taxes, including sales, property and licensing taxes. Public schools receive their revenues through a wide variety of sources, including federal, state, and local taxes and other funding sources.	

Nonpublic Schools	Control	Taxes	Liability
Nonpublic schools may voluntarily register with the Illinois State Board of Education (ISBE). Some schools do not register but still enroll students and provide educational experiences. Nonpublic schools that offer at least grades K-6 may also apply to ISBE for recognition status, which assures that a school's educational program meets minimum state requirements. All nonpublic schools are eligible for services from a variety of ISBE grants. Some competitive grants require equitable participation of nonpublic schools. Some services, such as Title I and Special Education, are provided to nonpublic school students through public school districts.	Nonpublic schools can choose their governance and control structure.	Nonpublic schools that offer at least grades K-6 are exempt from state sales taxes.	

Appendix II

Salary and Staffing Profile of Child Care Centers
Data from the IDHS 2001 Illinois Salary and Staffing Survey

Compiled by Dawn Ramsburg

Every two years the Illinois Department of Human Services conducts a survey of licensed child care facilities to better understand a range of staffing and salary issues. In September 2001, from a statewide sample of 400 full-time child care centers and family child care homes, a total of 140 child care centers returned the survey (37.8% response rate), providing data about 2,126 employees in their centers. Of these respondents, 42 centers, or 30%, identified themselves as for-profit. For-profit directors reported a total of 614 employees in their programs.

Key Findings

Type of Center

Out of the 42 surveys returned from for-profit centers, 22 centers (52.4%) identified themselves as full-day/full-year only programs and 20 (47.6%) identified themselves as full-day/full-year programs with a separate part-day operation (e.g., a full-time center that has a separate preschool classroom).

Type of Program Revenue

Table 3. Type of Center Program Revenues

Type of Program Revenue	Total	For-Profit
Tuition-Based (Parent Fees)	94.3%	97.6%
Illinois Department of Human Services vouchers or certificates	73.6%	71.4%
Illinois Department of Human Services site contract	13.6%	11.9%
Chicago Department of Human Services site contract	5.7%	2.4%
Department of Children and Family Services vouchers or certificates	48.6%	50.0%
Corporate/Employer-sponsored	8.6%	---
Head Start	5.0%	---
State Board of Education Pre-Kindergarten program (ISBE)	7.1%	---
Federally Funded Food Program	39.3%	28.6%
Other (fundraisers, contributions, United Way)	2.8%	---
Total	140	42

Capacity and Enrollment Patterns

Respondents were asked to report the number of children they may legally care for pursuant to their program's license. Responding centers reported an average licensed capacity of 82.6 children, with the overall licensed capacity reported ranging from 20 children to 233 children. For-profit respondents reported an average licensed capacity of 83.6 children, with the overall licensed capacity reported ranging from 25 children to 193 children.

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Table 4. Enrollment Patterns

Enrollment Pattern	Total	For-Profit
1 (Always Had Vacancies)	13.2%	25.0%
2	15.4%	10.0%
3	25.7%	17.5%
4	36.8%	35.0%
5 (Never Had Vacancies)	8.8%	12.5%
Total	136	42

More for-profit centers reported that they always had vacancies than did total center respondents. In fact, one-quarter of for-profit respondents reported that they always had vacancies. Although 45.6% of total respondents reported that they almost never or never had vacancies, 47.5% of for-profits reported that they almost never or never had vacancies.

Accreditation

Directors were asked to report on their accreditation status. Overall, one of five responding centers reported that they were accredited. Of those, 85 percent were accredited by the National Association for the Education of Young Children (NAEYC). The remaining programs reported they were accredited by the Association Montessori Society, the Council on Accreditation, or National Early Childhood Program Accreditation (NECPA). Another third of the responding programs reported that they were currently pursuing accreditation. Of those, 20% were seeking NAEYC accreditation, 2 percent were pursuing NECPA, and one provider was pursuing accreditation from the National Association of Child Care Professionals (NACCP).

For-Profit. Three out of 42 for-profit centers reported that they were accredited (7%). Of those, two were accredited by the National Association for the Education of Young Children (NAEYC). The remaining program reported accreditation by the National Early Childhood Program Accreditation (NECPA).

Seven of the responding for-profit programs reported that they were currently pursuing accreditation. Of those, three were seeking NAEYC accreditation and two were pursuing NECPA accreditation.

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Staffing Patterns

Directors were asked to report the number of staff they employed, including full- and part-time teachers, administrative staff, and support staff. Table 5 presents the staffing patterns of responding centers a("# of EE's") long with the number of programs reporting each staffing category ("# of replies").

Table 5. Breakdown of Center Staff by Position

Staffing Position	Total		For-Profit	
	# of EE's	# replies	# of EE's	# replies
Administrative Director	121	102	41	42
Director/Teacher	158	90	62	42
Early Childhood Teacher	822	131	238	42
Early Childhood Assistant	572	126	155	42
School-Age Worker	109	53	29	42
School-Age Assistant	41	30	13	42
Curriculum Coordinator	8	8	2	42
Administrative Support/Secretary	40	34	11	42
Cook	106	96	28	42
Janitor	47	41	15	42
Maintenance Worker	45	40	11	42
Other	57	31	9	42
Total	**2,126**		**614**	

Because we recognize that many centers use a variety of titles for the staff in their programs, we used the six center staff positions defined in the DCFS licensing standards to ensure comparability across centers. The remaining staff categories included in the survey were based on frequently cited other positions reported in past surveys.

Directors reported a total of 2,126 employees in their programs. Eighty-six percent of these employees fell into one of the six categories of personnel as they are defined in the Department of Children and Family Services Licensing Standards.

For-profit directors reported a total of 614 employees in their programs. Eighty-seven percent of these employees fell into one of the six categories of personnel as defined in the Department of Children and Family Services Licensing Standards.

Staff Turnover

Turnover Rates

Turnover was measured in two ways with the data collected from this survey. First, directors were asked how many permanent full- and part-time staff members - not temporary, substitute or seasonal staff - left their programs in the last two years.

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Table 6. Turnover Rate by Staff Category

Staff Category	Total	For-Profit
Administrative Director	2%	1%
Director/Teacher	7%	3%
Early Childhood Teacher	39%	39%
Early Childhood Assistant	33%	39%
School-Age Worker	10%	10%
School-Age Assistant	5%	2%
Total	140	42

This table should be read "Two percent of centers employing an Administrative Director lost an Administrative Director in the past 24 months."

Although the turnover rates in for-profit centers is lower for both Administrative Directors and Director/Teachers, turnover rates for teachers and assistant teachers are almost identical in for-profit and other types of centers.

Table 7. Replacement Rates by Staff Category

Staff Category	Total	For-Profit
Administrative Director	19	5
Director/Teacher	44	13
Early Childhood Teacher	51	48
Early Childhood Assistant	62	74
School-Age Worker	100	103
School-Age Assistant	119	54
Total	140	42

This table should be read "For every 100 Administrative Directors working in FY01, 19 Administrative Directors had to be recruited and hired due to turnover in the two years preceding the survey."

In a second question, turnover was also measured by the replacement rate for each staff category. The replacement rate was calculated using the number of employees who had left the previous two years compared to the number who were hired during the previous two years. The replacement rate tells us for every 100 hundred employees currently working now, how many staff had to be hired for that position in the past two years due to turnover.

For-profit centers had much lower replacement rates for both Administrative Directors and Director/Teachers, possibly reflecting the fact that for-profit center Directors are likely to own their child care business. Compared to all center respondents, for-profit centers had slightly lower replacement rates for teachers, but higher replacement rates for assistant teachers.

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Turnover Reasons

When looking at the turnover reasons by each staffing category in Table 8 across all center respondents and those in for-profit centers only, there is some variation in reason for leaving. Administrative directors in total were most likely to leave their job for another job in child care. For-profit center administrative directors were most likely to leave for a new job outside of child care. Across all centers, director/teachers were most likely to leave for personal reasons such as family issues or health. For-profit center director/teachers were most likely to leave for a new job outside of child care or because they were dissatisfied with their pay. Across all centers, teachers were most likely to leave because they were dissatisfied with their salaries, but teachers in for-profit centers left mainly for new jobs outside of child care. Assistant teachers across all centers and those in for-profit centers only were most likely to leave for a new job outside of child care.

Table 8. Turnover Reason by Staff Category (%)

Reason for Leaving	Admin. Director		Director/ Teacher		Teacher		Asst. Teacher		School-Age Worker		Asst. School-Age Worker	
	Total	For-profit	Total	For-profit	Total	For-profit	Total	For-profit	Total	For-profit	Total	For-profit
New CC Job	7.9	4.8	7.1	---	24.3	26.2	12.9	16.7	3.6	---	1.4	---
New Public School Job	2.9	---	5.0	4.8	24.3	23.8	8.6	7.1	6.4	2.4	2.1	2.4
New Job-Other	4.3	7.1	7.1	9.5	27.9	35.7	33.6	40.5	9.3	7.1	5.0	4.8
Dissatisfied -Pay	3.6	4.8	8.6	9.5	32.1	31.0	25.7	26.2	8.6	11.9	7.1	11.9
Dissatisfied -Benefits	1.4	---	2.9	---	10.0	11.9	8.6	9.5	3.6	4.8	2.9	7.1
Dissatisfied -PD	1.4	2.4	2.1	4.8	4.3	2.4	4.3	4.8	2.9	2.4	1.4	2.4
Dissatisfied -Schedule	1.4	2.4	1.4	2.4	6.4	11.9	6.4	7.1	4.3	4.8	5.0	4.8
Personal	4.3	4.8	10.7	7.1	23.6	21.4	23.6	31.0	3.6	4.8	3.6	2.4
Total	140	42	140	42	140	42	140	42	140	42	140	42

This table should be read "Out of all centers, 7.9% reported that they had an Administrative Director leave due to finding a new job in child care." Rows and columns do not add to 100% due to multiple reasons possible.

Filling Vacant Positions

Next, directors were asked to report on how the length of time to fill a vacancy has changed over the past two years. As illustrated in Table 9, directors reported that the length of time to fill vacant teacher, assistant teacher, and school-age worker positions had remained about the same over the past two years.

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Table 9. Length of Time to Fill Vacancies over the Past 2 Years (%)

Amount of Time to Fill Vacancies	Teacher		Assistant Teacher		School-Age Worker	
	Total	For-profit	Total	For-profit	Total	For-profit
Increased more than 2 weeks	18	19	8	7	3	5
Increased 1-2 weeks	16	10	7	7	5	7
Stayed the same	30	43	44	60	11	10
Decreased 1-2 weeks	3	5	3	2.4	0	---
Decreased more than 2 weeks	3	2.4	2	2.4	1	---
Total	140	42	140	42	140	42

This table should be read "Eighteen percent of all centers responding reported that the amount of time it took to fill a teacher vacancy increased more than 2 weeks over the past two years."

Finally, directors were asked to give an overall rating of the difficulty in filling vacancies. As presented in Table 10, over half of the respondents rated filling vacant teacher positions as either "hard" or "very hard." Directors did not report a strong belief that replacing assistant teachers was either easy or hard.

Table 10. Directors' Perceptions about Difficulty in Filling Vacancies (%)

Perceptions about New Hire Qualifications	Teacher		Assistant Teacher	
	Total	For-profit	Total	For-profit
Very Easy	1	---	2	3
Easy	5	---	18	38
Neither Easy or Hard	18	33	28	35
Hard	30	33	18	15
Very Hard	26	33	9	9
Total	112	33	105	34

This table should be read "Thirty percent of all centers responding reported that it was hard to fill a teacher vacancy over the past two years."

Staff Demographics

In an attempt to have specific information on individual child care staff—rather than for the child care center only—directors were asked to complete a worksheet for all full-time and part-time only employees in their programs in this year's survey.

Out of the 42 for-profit centers who returned surveys, data were reported for 488 staff in those centers. It is important to note that not all respondents who returned a survey answered every question on the staff worksheet so there is some variation in the number of responses reported for each question. The notation "N" indicates the number of responses to a particular question.

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Table 15. Education Level by Position in Centers (%)

Education	Adm. Dir. TOT	Adm. Dir. F-P	Dir./ Teacher TOT	Dir./ Teacher F-P	Teacher TOT	Teacher F-P	Asst. Teacher TOT	Asst. Teacher F-P
High School	1.0	2.9	---	---	3.2	1.4	64.1	28.8
Some College-EC	7.8	14.3	15.7	18.2	26.6	33.3	20.5	27.7
Some College-Other	1.0	2.9	3.7	7.3	1.1	1.0	1.0	---
Associates-EC	19.4	22.9	26.1	34.5	20.9	15.0	2.7	1.7
Associates-Other	8.7	14.3	11.2	3.6	9.2	10.3	2.7	1.0
Bachelors-EC	15.5	11.4	9.0	7.3	7.9	6.6	1.6	1.0
Bachelors-Other	24.3	20.0	15.7	12.7	14.9	12.2	2.7	1.0
Master-EC	5.8	---	3.7	1.8	1.6	1.0	1.0	---
Masters-Other	6.8	2.9	4.5	3.6	1.3	1.4	1.0	1.7
Credentials								
CDA/CCP/Montessori	3.9	5.7	4.5	7.3	7.7	9.9	3.6	7.6
Approved Comm. Coll. Early Childhood Certificate	1.0	---	3.7	3.6	4.2	8.4	.02	---
IDC Cred. (I, II or III)	1.9	2.9	---	---	---	---	---	---
Public School Teaching Certificate (04/02)	2.9	2.9	2.2	---	1.4	1.4	---	---
N	103	35	134	---	698	213	443	119

This table should be read "Out of 35 Administrative Directors for whom education and credential information was provided, 11.4% had a Bachelors degree in early childhood education or child development."

Of the 103 total administrative directors, 28.1% had an associate's degree, with 19.4% in early childhood education. Of the 35 for-profit administrative directors, 37.2% had an associate's degree, with 23% in early childhood education. Of the total administrative directors, about 40% had bachelor's degrees compared to 31.4% of for-profit administrative directors. In comparing director/teachers, 19.4% overall had some college, although 25.5% of for-profit director/teachers had some college. Similar numbers of total director/teachers and for-profit director/teachers had associate's degrees (37.5% vs. 38.1%). However, more director/teachers had bachelor's and master's degrees than did for-profit director/teachers (33% vs. 25.4%).

Generally, the 213 teachers in for-profit centers had lower levels of education than the 698 listed in all centers that responded to the survey. In for-profit centers, 34.3% had some college, 25.3% had an associate's degree, and 18.8% had a bachelor's degree. Of the teachers listed by all center respondents, 27.7% had some college, 30.1% had an associate's degree, and 22.8% had a bachelor's degree. Assistant teacher qualifications varied greatly, with 64.1% in all centers only having a high school diploma compared to 28.8% in for-profit centers. For-profits employed more assistant teachers with some college (27.7% vs. 21.5%), although those across all centers had obtained more associate and bachelor's degrees compared to those in for-profit centers (9.7% vs. 4.7%).

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Years of Experience in Current Position

Directors were asked to report how many years each employee had worked as a paid employee in their center. Administrative directors in for-profit centers had more years of experience in their current positions, with 29% between 1-5 years and 71% over 6 years. Years of experience on the job for director/teachers and teachers were relatively similar for all centers and for-profit only centers, although fewer had more than 10 years experience in for-profit centers. All centers had more assistant teachers with less than 1 year experience or between 1-5 years experience than those in for-profit centers, however, for-profits had fewer assistant teachers with more than 6 of experience on the job (4% vs. 8.6%).

Table 16. Years of Experience in Current Centers by Position (%)

Years of Experience	Admin. Director TOT	Admin. Director F-P	Director/ Teacher TOT	Director/ Teacher F-P	Teacher TOT	Teacher F-P	Assist. Teacher TOT	Assist. Teacher F-P
Less than 1 year	5.3	---	10.7	11.8	25.1	27.8	34.5	33.1
1-2 years	18.1	12.9	25.4	21.6	34.8	32.4	42.5	47.2
3-5 years	17.0	16.1	23.8	29.4	19.7	22.2	14.4	15.7
6-9 years	25.5	35.5	23.8	23.5	10.0	10.6	4.2	1.6
More than 10 years	34.0	35.5	16.4	13.7	10.5	6.9	4.4	2.4
N	94	31	122	51	702	216	452	127

This table should be read "Out of 31 for-profit Administrative Directors for whom years of experience in their current position was provided, 12.9% had one to two years of experience."

Years of Experience in Child Care

Directors were asked to report how many years total experience each employee had as a paid child care provider – either in a child care center or as a family child care home provider.

The majority of administrative directors across all centers and in for-profit centers had over 6 years experience in the child care field (71.4% vs. 66.6%). More administrative directors in for-profits had between 6-9 years experience than those across all centers, and fewer had under 5 years experience in the field (9.1% vs. 22.3%). Teachers across all centers had more years experience in the child care field than those in for-profit centers, with higher percentages having 10 or more years experience (26% vs. 19.8%). This was also the case with assistant teachers, with 71% across all centers having under 5 years experience compared to 82.3% in for-profit centers.

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Table 17. Years of Experience in Child Care Field by Position in Centers (%)

Yrs. of Experience	Adm Dir. TOT	Adm. Dir. F-P	Dir/ Teacher TOT	Dir/ Teacher F-P	Teacher TOT	Teacher F-P	Asst. Teacher TOT	Asst. Teacher F-P
Less than 1 year	1.0	---	1.6	---	4.1	4.3	7.0	4.4
1-2 years	13.1	3.0	9.3	14.8	25.8	28.8	44.5	46.9
3-5 years	8.2	6.1	23.3	22.2	27.4	31.3	26.3	35.4
6-9 years	16.3	24.2	17.8	20.4	16.7	15.9	7.5	6.2
10-15 years	35.7	33.3	26.4	25.9	17.6	13.5	7.8	6.2
More than 15 years	35.7	33.3	21.7	16.7	8.4	6.3	4.4	1.0
N	98	33	129	54	678	208	411	113

This table should be read "Out of 98 Administrative Directors for whom years of experience in the child care field was provided, 1.0% had less than one year of experience."

T.E.A.C.H. and Great START Participation

In Illinois, there are two interrelated programs aimed at increasing retention of educated child care providers –T.E.A.C.H (Teacher Education and Compensation Helps) and Great START (Strategies to Attract and Retain Teachers). T.E.A.C.H provides partial funding for college scholarships, travel, and release time for both center and family child care providers in an effort to increase the educational levels of caregivers, increase caregiver compensation, and improve the consistency of care for children. Great START is a wage supplement program that aims to increase child care provider retention while encouraging increased provider education levels. Directors were asked to report for each employee whether they were currently receiving a Great START stipend or were a T.E.A.C.H. participant.

Table 18. T.E.A.C.H. and Great START Participation by Position in Centers (%)

Position	T.E.A.C.H. TOT	T.E.A.C.H. F-P	Great START TOT	Great START F-P
Administrative Director	3.7	3.2	7.3	11.3
Director/Teacher	16.7	12.9	17.0	21.0
Early Childhood Teacher	57.4	48.4	66.1	58.1
Early Childhood Assistant	22.2	35.5	9.6	9.7
N	54	31	218	62

This table should be read, "Of the 62 Great START participants, 58.1% were Early Childhood Teachers."

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Salaries

Because wage information was collected on individuals, the average hourly wage for each position was computed. The average wages across all center respondents and for-profit center respondents are presented in Table 19 and Table 22. Generally, average hourly wages are lower in the for-profit centers that responded to the survey, except for director/teachers. For-profit centers pay less for teachers and assistant teachers regardless of educational qualifications.

Table 19. Average Hourly Wages by Position in Centers

Position	Average Hourly Wage TOT	N TOT	Average Hourly Wage F-P	N F-P
Administrative Director	$15.99	88	$14.11	27
Director/Teacher	$10.18	121	$10.28	51
Teachers	$9.10	684	$8.46	224
Assistant Teachers	$7.27	448	$7.16	128

Table 22. Child Care Teachers' and Assistant Teachers' Average Hourly Wages in Centers by Education Level and Credentials

Education	Teacher TOT	Teacher F-P	Assistant Teacher TOT	Assistant Teacher F-P
High School	$7.71	$6.00	$6.91	$6.99
Some College-EC	$8.18	$7.89	$8.55	$7.26
Some College-Other	$8.26	$8.13	$7.50	---
Associates-EC	$8.72	$7.77	$8.04	$6.75
Associates-Other	$8.83	$8.40	$7.97	$7.00
Bachelors-EC	$10.65	$9.45	$10.19	$9.00
Bachelors-Other	$10.15	$10.14	$8.35	$8.50
Master-EC	$11.59	---	$10.25	---
Masters-Other	$10.29	$9.33	$7.63	$7.63
Credentials				
CDA/CCP/Montessori	$9.16	$9.05	$8.37	$7.75
Approved Comm. College EC Cert.	$8.66	$7.66	---	---
04/02 Teaching Certificate	$10.36	$8.00	---	---

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Benefits

Directors were asked to report on a variety of benefits. For each benefit, the director could indicate whether 1) it was paid in full or partially by the child care center, 2) if employees received the benefit through the center but paid for the benefit themselves, or 3) if the benefit was not available to the employee.

Table 24. Benefits by Availability and Funding Source in For-Profit Centers (%)

Benefit	Paid by Center (Full or Partial)		Paid by Employee		Not Provided		Number	
	TOT	F-P	TOT	F-P	TOT	F-P	TOT	F-P
Health	36.7	20.1	4.0	1.5	57.6	78.3	1,592	471
Dental	24.2	10.4	3.0	---	71.2	89.6	1,593	471
Life Insurance	33.2	20.0	1.5	---	63.7	80.0	1,593	471
Pension	22.9	12.5	3.0	6.1	71.6	81.4	1,578	473
Sick Leave	62.6	59.2	---	---	34.3	40.8	1,570	448
Vacation	79.6	85.7	---	1.9	18.4	12.4	1,596	474
Holidays	80.2	81.6	1.2	1.9	17.3	16.5	1,598	474
Reduced/ Free Child Care	34.2	34.4	1.5	1.4	62.1	61.4	1,582	479
Educational Stipends	38.4	38.9	1.0	3.5	56.9	54.6	1,559	452

This table should be read "Out of the 471 employees for whom directors providers health benefit information, 20.1% receive paid benefits from their center."

For-profit centers that responded to the survey did not provide larger percentages of employees with health, dental, life insurance, or pension benefits. In fact, only 20% of for-profit center employees had health insurance benefits paid in full or part by the center. The availability of benefits such as paid vacation and sick leave, reduced or free child care, and educational stipends to support professional development were relatively similar when comparing all centers to for-profit centers.

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For those employees that received paid benefits, Table 25 presents the percentage of full-time staff that received paid benefits by position.

Table 25. Percent of Full-Time Staff Who Receive Paid (Full or Partial) Benefits by Position in For-Profit Centers (%)

Benefit	Admin. Director		Director/ Teacher		Teacher		Assist. Teacher	
	TOT	F-P	TOT	F-P	TOT	F-P	TOT	F-P
Health	53.3	38.9	39.8	10.7	53.4	21.4	45.8	18.5
Dental	33.3	19.4	28.6	5.4	36.7	12.9	32.8	7.7
Life Insurance	56.7	41.7	33.7	7.1	45.0	19.6	42.7	20.8
Pension	42.2	25.0	25.5	6.1	31.8	15.6	26.7	3.8
Sick Leave	71.1	41.7	67.3	39.3	81.9	62.5	73.7	56.9
Vacation	93.3	86.1	93.9	91.1	94.9	81.7	91.2	86.2
Holidays	91.1	80.6	96.9	87.5	95.9	78.1	91.6	80.8
Reduced/Free Child Care	38.9	22.2	48.0	46.4	37.7	31.7	36.6	41.5
Educational Stipends	50.0	44.4	49.0	30.4	45.4	37.5	38.2	35.4
N	90	36	98	56	509	224	262	130

This table should be read "Out of 90 Administrative Directors, 53.3% receive paid health benefits."

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